



Michigan League FOR Human Services

**TESTIMONY ON FAS 109 AS IT RELATES  
TO THE MICHIGAN BUSINESS TAX**

**House Tax Policy Committee**

**August 8, 2007**

**Lansing, Michigan**

Good morning. My name is Ann Marston and I am the President and CEO of the Michigan League for Human Services. The League is a state-level policy organization focused on the needs of low-income households across the state. We have over 1,500 organizational and individual members from across the state representing a wide range of interests.

Throughout Michigan's protracted fiscal crisis the League has been keenly aware of the need for Michigan to maintain an adequate, stable and fair revenue structure from which to fund the essential services that the citizens of the state need. As revenues began to lag in 2001, the League urged the legislature to halt the five year reduction in the income tax rate and the phase-out of the Single Business Tax. The League has urged that the Tax Expenditure Budget be carefully reviewed and that unnecessary tax expenditures be eliminated. When the SBT was eliminated in 2006, the League urged adoption of a revenue-neutral replacement tax that did not shift the tax burden to individuals and families.

We are very concerned about the implications of the change you are being asked to consider regarding Federal Accounting Standards and the new Michigan Business Tax. According to the Department of Treasury, this "fix" could cost Michigan approximately \$1 billion in revenue, at a time when the state continues to face sizeable deficits.

The League has steadfastly maintained that cutting Michigan's budget further is not an acceptable alternative for resolving the state's fiscal problems. Over \$4 billion has been cut from programs and services since 2001 and the effect has been felt throughout Michigan. Making an adjustment to the revenue-neutral MBT that would drain almost a billion dollars in anticipated revenues would constitute a substantial new tax expenditure—one that we can ill afford.

Thank you for the opportunity to comment today.

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